

**OFFICE OF THE  
WASHINGTON STATE LIQUOR CONTROL BOARD  
Work/Review Session/ August 9, 2005**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Tuesday, August 9 in the Board conference room, 3000 Pacific Avenue S.E., Olympia, Washington, by Chairman Merritt D. Long. Board Member Vera Ing and Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

**PURCHASING SERVICES DIVISION: 10:00 – 11:00 a.m.**

Staff Present: Pat Kohler, Administrative Director; Heidi Whisman, Acting director; Steve Burnell, Wine Program Manager

**Cumulative results for first two quarters show:**

- The top 100 wines are down in both dollar and case sales more than 10% when compared to the previous year.
- All other wines sold by the LCB show a slight increase in both dollar and case sales.
- Overall, dollar sales are down just over 1% and case sales are down over 6% for the first 6 months of this year compared to last year.

**Details**

***Second quarter*** dollar and case sales data shows the following:

- The top 100 wines are down in both dollar and case sales for the second quarter this year compared to second quarter last year. The decrease is approximately double that of the first quarter.
- All other wines sold by the LCB show a slight increase from second quarter last year.
- Overall, all LCB wines show a decrease from second quarter last year – almost three times the first quarter decrease.

***First quarter*** data showed:

- The top 100 wines are down in both dollar and case sales for the first quarter this year compared to first quarter last year.
- All other wines sold by the LCB show a slight increase from first quarter last year.
- Overall, all LCB wines show a slight decrease from first quarter last year.

**NEXT STEPS**

- Long-term strategy implementation recommendation.  
Continue to compile and analyze data for third quarter update in early November.

## **LONG TERM IMPLEMENTATION RECOMMENDATION DISCUSSION**

### **Long Term**

- *Use the LCB market share to determine future consideration for markup increases. If the LCB share rises to over 10% as compared with the private sector a markup price increase will take place.*

### **Goals of Recommendation**

- Create consistent price structure for all wines
- Support Strategic Plan, Retail Business Plan and Wine Strategy.
- Align with balanced mission of Liquor Control Board

### **Recommendation**

The second quarter update shows both dollar and case sales continuing a significant downward trend for the top 100 wines. Also, all LCB wines reflect an increasing downward trend over the same period. Giving due consideration to both the business and stakeholder perspectives, staff are making the following recommendation:

Transition to long-term strategy effective October 1, 2005.

- Include mark-up increase on wine from the current 38% to a new mark-up of 45%.

Annually review market share and determine appropriate mark-up percentage.

No decisions were made at this meeting. After some discussion, the Board asked Ms. Whisman to bring this Wine Strategy Implementation Plan to the August 10<sup>th</sup> board meeting for approval.

The Board heard testimonies from Terry Atoms (Ste. Michelle Wine Estates), Scott Buchanan (E & J Gallo), Jan Gee (Washington Food Industry), and Holly Chisa, (Contract Lobbyist for Alberstons).

**The meeting was adjourned at 11:00 a.m.**

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Merritt D. Long  
Chairman

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Vera Ing  
Board Member

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Roger Hoen  
Board Member